9-19-1989

Peru: Highlights Of Economic Duress

John Neagle

LADB Article Id: 072081
ISSN: 1060-4189

Peru: Highlights Of Economic Duress

by John Neagle
Category/Department: General
Published: Tuesday, September 19, 1989

* In 1988, Peru's gross domestic product fell 8.5% relative to 1987, and declined 22.8% in the first five months of 1989. * Annual inflation is expected to surpass 5,000%. * Shortly after taking power in 1985, President Alan Garcia introduced a new currency, the inti, to replace the sol. A 10,000-inti note is currently worth less than $3. A 50,000-inti note was introduced in August, 100,000 and 500,000-inti notes are scheduled for fall. * Peru's foreign debt totals about $18 billion. Interest payment arrears have reached about $5 billion. The International Monetary Fund declared Peru ineligible for new loans in August 1986. In early September, IMF managing director Michel Camdessus circulated a letter outlining possible steps to expel Peru to board members. * Mining is Peru's number one source of export revenues. In 1988, Peru lost about $450 million worth of mineral exports, result of miners' strikes. In the first four months of 1989, terrorist attacks cost the state-owned mining company, Centromin, $12 million in stolen or damaged equipment. Several mining companies have reportedly cut back on operations and canceled new investments. * Peruvian capital is moving increasingly into Chile. In the first half of 1989, Chile received $652 million of new investment from Peru. Chile's foreign investment total for 1988 was $1.6 billion. * According to Notimex, Lima is the only city in the world where vast numbers of street peddlers specialize in buying and selling dollars. The trade is legal, and provides an important source of employment for children, teenagers and elderly persons. Between Sept. 9 and Sept. 17, the price of the dollar on Lima streets has fluctuated between 4,500 and 5,500 intis. * Shortages of subsistence goods, such as bread, flour and sugar, are common. In the past week, the government authorized a 20% price hike for subsistence commodities. * On Sept. 14, an estimated 250,000 employees of seven ministries commenced a general strike in an attempt to obtain salary hikes, and the reinstatement of bonuses. Press secretary for the State Employees' Intersectoral Confederation (CITE), Emilio Castro Ugarte, said the affected ministries were Economy and Finance, Energy and Mines, Trade and Industry, Education, Agriculture, Transport and Communications, and Justice. In addition, he said, court employees in seven provinces had decided to join the strike. * On Sept. 16, only 273 of Lima's 1,200 retail drug stores or pharmacies opened their doors for business. Pharmacy owners, members of the Colegio Quimico Farmaceutico, gave the Health Ministry 24 hours to respond with a price increase authorization. On Sept. 11, the government approved a 20% hike for medicines and other pharmaceuticals. The Colegio and pharmaceuticals manufacturers insisted on a 40% increase. * On Sept. 18, bus and taxi drivers launched a 24-hour nationwide strike. The Peruvian Drivers Federation (FECHOP) said 90% of its members were participating. Police in Lima told reporters that 70% of buses and taxis were not operating. The Federation is demanding that the government authorize fare hikes; lower tariffs on vehicle and parts imports; and greater access to credit. The Lima municipal government placed the police and the army in charge of all vehicles pertaining to the National Urban Transport Enterprise (ENATRU-PERU). In 1989, transport company owners have carried out six stoppages to demand government compliance with previously established agreements and to apply pressure for fare hikes. * On Sept. 18, the official gazette, El Peruano, announced that a 24% price hike on domestic airline fares effective the same day. Bakeries in Lima closed their hours for 24 hours, in an effort to pressure the government to authorize a substantial price hike on bread products. On the same day, the government announced a 47% price increase on

LADB Article Id: 072081
ISSN: 1060-4189

"Tolete" bread, the most inexpensive type purchased by low-income households. (Basic data from Xinhua, 09/14/89; Notimex, 09/16-18/89; New York Times, 09/18/89)

-- End --